



Ms. Joyce Spear
Rates and Tariffs Division
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

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PUBLIC SERVICE
COMMISSION

Kentucky Utilities Company
State Regulation and Rates
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November 14, 2006

RE: **Kentucky Utilities Company - Kentucky Jurisdictional 12-Month
Income Statement ending September 30, 2006, and Balance Sheet as
of September 30, 2006**
(Case Nos. 97-300, 2000-095, and 2001-104)

Dear Ms. Spear:

Pursuant to the Commission's Order in Case No. 97-300, Kentucky Utilities Company hereby submits its Quarterly 12-Month Income Statement and Balance Sheet, on a Kentucky Jurisdictional and Other Jurisdictional Operations basis, for the period ending September 30, 2006. This information is also submitted in response to the Commission's Order dated May 15, 2000, in KPSC Case No. 2000-095, *Summary of Findings, No. 8 and Appendix B, Reporting Requirements to be filed Quarterly, No. 3*. These commitments were repeated in the Commission's Order dated August 6, 2001, in KPSC Case No. 2001-104, *Appendix A, Operations and Financial, No. 1*.

If you have any questions, please let me know.

Sincerely,

Rick Lovekamp

Enclosures

Cc: Isaac Scott, KPSC Division of Financial Analysis

KENTUCKY UTILITIES COMPANY

Balance Sheet
At September 30, 2006
Assets and Other Debits

Title of Account Column A	No. Col. B	Total Kentucky Utilities Column C	KU Retail Jurisdictional Column D	Other Jurisdictional Column E
Utility Plant				
Utility Plant	101-106	\$ 3,673,258,265	\$ 3,193,401,559	\$ 479,856,706
Plus: Construction Work in Progress	107	383,743,578	350,873,983	32,869,595
Total Utility Plant		\$ 4,057,001,842	\$ 3,544,275,542	\$ 512,726,300
Less: Accumulated Provision for Depreciation	108,111	1,845,780,699	1,592,803,462	252,977,237
Net Utility Plant		\$ 2,211,221,143	\$ 1,951,472,080	\$ 259,749,063
Other Property and Investments				
Non-Utility Property	121	\$ 1,027,089	\$ -	\$ 1,027,089
Less: Accum Prov for Depr and Amortization	122	57,824	-	57,824
Investment in Subsidiary Companies	123.1	17,153,495	-	17,153,495
Non-Current Portion of Allowances	158.1	-	-	-
Other Investments	124	426,140	-	426,140
Special Funds	125-128	5,604,171	-	5,604,171
Total Other Property and Investments		\$ 24,153,071	\$ -	\$ 24,153,071
Current and Accrued Assets				
Cash	131	\$ 5,406,650	\$ 4,757,581	\$ 649,069
Special Deposits	132-134	15,213,186	13,386,843	1,826,343
Working Funds	135	63,276	55,680	7,596
Temporary Cash Investments	136	3,461	3,046	415
Customer Accounts Receivable	142	83,510,805	57,433,204	26,077,601
Other Accounts Receivable	143	2,075,908	1,810,960	264,948
Less: Accum Prov for Uncollectable Accts-Credit	144	1,847,747	1,611,919	235,828
Notes Receivable from Associated Companies	145	-	-	-
Accounts Receivable from Associated Companies	146	13,809,929	12,281,032	1,528,897
Fuel	151	59,288,091	51,203,567	8,084,524
Plant Materials and Operating Supplies	154	26,146,218	22,623,871	3,522,347
Allowances	158.1	2,622,224	2,256,090	366,134
Less: Non-Current Portion of Allowances	158.1	-	-	-
Stores Expense Undistributed	163	6,105,229	5,282,750	822,479
Prepayments	165	2,872,869	2,527,981	344,888
Interest and Dividends Receivable	171	30,733	27,044	3,689
Accrued Utility Revenues	173	34,078,000	32,020,000	2,058,000
Miscellaneous Current Assets -- Mark to Market	174	4,911,485	4,321,862	589,623
Total Current and Accrued Assets		\$ 254,290,318	\$ 208,379,592	\$ 45,910,726
Deferred Debits				
Unamortized Debt Expense	181	\$ 5,408,984	\$ 4,759,635	\$ 649,349
Unrecovered Plant and Regulatory Costs	182	-	-	-
Other Regulatory Assets	182.3	51,267,027	44,560,992	6,706,035
Preliminary Survey and Inventory	183	-	-	-
Clearing Accounts	184	142,048	126,322	15,726
Miscellaneous Deferred Debits	186	86,969,294	75,698,757	11,270,537
Unamortized Loss on Re-Acquired Debt	189	10,488,445	9,229,307	1,259,138
Accumulated Deferred Income Taxes	190	54,390,523	46,652,383	7,738,140
Total Deferred Debits		\$ 208,666,320	\$ 181,027,396	\$ 27,638,924
Total Assets and Other Debits		\$ 2,698,330,853	\$ 2,340,879,068	\$ 357,451,785

KENTUCKY UTILITIES COMPANY

Balance Sheet

At September 30, 2006

Liabilities and Other Credits

Title of Account Column A	No. Col. B	Total Kentucky Utilities Column C	KU Retail Jurisdictional Column D	Other JurMsdMctMonal Column E
Proprietary Capital				
Common Stock Issued	201	\$ 308,139,978	\$ 270,818,063	\$ 37,321,915
Preferred Stock Issued	204	-	-	-
Premium on Capital Stock	207	-	-	-
Paid in Capital	208-211	15,000,000	13,183,200	1,816,800
Other Comprehensive Income		(19,336,791)	(16,994,719)	(2,342,072)
Capital Stock Expense	214	(321,289)	(282,374)	(38,915)
Retained Earnings	215-216	812,007,148	713,656,842	98,350,306
Unappropriated Undistributed Subsidiary Earnings	216.1	15,607,695	13,717,291	1,890,404
Total Proprietary Capital		\$ 1,131,096,741	\$ 994,098,303	\$ 136,998,438
Long Term Debt				
Bonds	221	\$ 289,257,520	\$ 254,222,649	\$ 35,034,871
Long Term Debt Marked to Market	221200	648,190	569,681	78,509
Long Term Debt To Associated Companies	233006	433,000,000	380,555,040	52,444,960
Other Long Term Debt	224	53,000,000	46,580,640	6,419,360
Unamortized Premium on Long Term Debt	225	-	-	-
Total Long Term		\$ 775,905,710	\$ 681,928,010	\$ 93,977,700
Other Non-Current Liabilities				
Accumulated Provision for Property Insurance	228.1	\$ -	\$ -	\$ -
Accumulated Provision for Injuries and Damages	228.2	-	-	-
Accumulated Provision for Pensions and Benefits	228.3	98,267,273	87,388,103	10,879,170
Accumulated Miscellaneous Operating Provision	228.4	-	-	-
Total Other Non-Current Liabilities		\$ 98,267,273	\$ 87,388,103	\$ 10,879,170
Current and Accrued Liabilities				
Notes Payable	231	\$ -	\$ -	\$ -
Accounts Payable	232	87,373,076.58	77,700,003	9,673,074
Notes Payable to Associated Companies	233	58,962,054	51,820,570	7,141,484
Accounts Payable to Associated Companies	234	75,970,642	-	75,970,642
Customer Deposits	235	18,044,558	17,249,581	794,977
Taxes Accrued	236	9,485,486	8,346,753	1,138,733
Interest Accrued	237	8,778,523	7,724,661	1,053,862
Dividends Declared	238	-	-	-
Matured Long Term Bonds/LTD Due in 1 Year	239	-	-	-
Tax Collections Payable	241	3,434,149	2,902,119	532,030
Miscellaneous Current and Accrued Liabilities	242	11,476,968	10,671,695	805,273
Total Current and Accrued Liabilities		\$ 273,525,456	\$ 176,415,382	\$ 97,110,074
Deferred Credits				
Customer Advances for Construction	252	\$ 1,451,073	\$ 1,435,968	\$ 15,105
Accumulated Deferred Investment Tax Credits	255	1,294,243	1,085,148	209,095
Other Deferred Credits	253	26,351,867	24,112,676	2,239,191
Other Regulatory Liabilities	254	28,239,297	24,133,021	4,106,276
Asset Retirement Obligation	230	28,098,537	24,219,815	3,878,722
Miscellaneous Long Term Liability Due to Associated Companies	234	-	-	-
Accumulated Deferred Income Taxes	281-283	334,100,656	286,568,156	47,532,500
Total Deferred Credits		\$ 419,535,673	\$ 361,554,784	\$ 57,980,889
Total Liabilities and Other Credits		\$ 2,698,330,853	\$ 2,301,384,582	\$ 396,946,271

KENTUCKY UTILITIES COMPANY

Statement of Income
Twelve Months Ended September 30, 2006

Title of Account	No.	Total Kentucky Utilities	KU Retail Jurisdictional	Other Jurisdictional
Column A	Col. B	Column C	Column D	Column E
Utility Operating Income				
Operating Revenues:				
Residential Sales	440	\$ 375,861,983	\$ 351,045,184	\$ 24,816,798
Commercial and Industrial Sales:	442			
Small (or Comm) - Rural Comm & Comm L&P		256,989,128	245,136,396	11,852,732
Large (or Ind) - Industrial & Mine Power		279,859,545	267,040,411	12,819,134
Public Street and Highway Lighting	444	8,370,642	8,121,943	248,699
Other Sales to Public Authorities	445	79,739,037	75,031,964	4,707,074
Total Sales to Ultimate Consumers		\$ 1,000,820,335	\$ 946,375,898	\$ 54,444,437
Sales for Resale	447	181,431,757	82,045,845	99,385,912
Total Sales of Electricity		\$ 1,182,252,092	\$ 1,028,421,743	\$ 153,830,349
Less: Provision for Refund	449.1	-	-	-
Total Revenues Net of Provision for Refund		\$ 1,182,252,092	\$ 1,028,421,743	\$ 153,830,349
Other Operating Revenues:				
Miscellaneous Service Revenues	451	1,376,266	1,353,574	22,692
Rent from Electric Property	454	1,977,390	1,841,630	135,759
Other Electric Revenues	456	32,793,395	28,331,862	4,461,534
Total Other Operating Revenues		\$ 36,147,051	\$ 31,527,066	\$ 4,619,985
Total Operating Revenue		\$ 1,218,399,143	\$ 1,059,948,809	\$ 158,450,334
Operating Expenses:				
Operation Expenses	401	\$ 807,367,007	\$ 696,505,691	\$ 110,861,316
Maintenance Expenses	402	68,926,626	60,609,752	8,316,874
Depreciation Expense	403	109,381,792	95,468,421	13,913,371
Amortization of Limited-Term Electric Plant	404	4,958,739	4,308,391	650,348
Regulatory Credits	407	(7,454,764)	(6,440,007)	(1,014,757)
Taxes Other than Income Taxes	408.1	17,981,827	15,918,228	2,063,599
Income Taxes - Federal	409.1	61,242,780	Total Income Taxes	8,331,232
Income Taxes - State	409.1	12,023,227		
Provision for Deferred Income Taxes	410.1	35,501,900		
Provision for Deferred Income Taxes - Credit	411.1	(42,156,429)		
Accretion Expense	411.1	1,657,747	1,428,912	228,835
Investment Tax Credit Adjustment - Net	411.4	-		-
Losses/(Gains) from Disposition of Allowances	411.8	(1,283,929)	(1,106,695)	(177,234)
Total Utility Operating Expenses		\$ 1,068,146,521	\$ 924,972,937	\$ 143,173,584
Net Utility Operating Income		\$ 150,252,622	\$ 134,975,872	\$ 15,276,750

KENTUCKY UTILITIES COMPANY

Statement of Income
Twelve Months Ended September 30, 2006

Title of Account Column A	No. Col. B	Total Kentucky Utilities Column C	KU Retail Jurisdictional Column D	Other Jurisdictional Column E
Other Income and Deductions are not separated on a jurisdictional basis.				
<u>Other Income and Deductions</u>				
Total Other Income		<u>\$ 30,347,978</u>		
Total Other Income Deductions		<u>3,055,061</u>		
Total Taxes on Other income and Deductions		<u>2,574,579</u>		
Net Other Income and Deductions		<u>\$ 24,718,338</u>		
<u>Interest Charges</u>				
Interest on Long Term Debt	427	\$ 31,620,121		
Amortization of Debt Discount and Expense	428	248,018		
Amortization of Loss on Re-Acquired Debt	428.1	727,825		
Amortization of Premium on Debt - Credit	429	-		
Amortization of Gain on Re-Acquired Debt - Credit	429.1	-		
Interest on Debt to Associated Companies	430	2,920,072		
Other Interest Expense	431	2,040,697		
Allowance for Borrowed Funds Used During Construction	432	(124,170)		
Net Interest Charges		<u>\$ 37,432,563</u>	<u>\$ 31,430,143</u>	<u>\$ 6,002,420</u>
Cumulative Effect of Accounting Change, Net of Tax		<u>\$ 3,337,340</u>		
Net Income		<u><u>\$ 134,201,057</u></u>		